John Williams'
Shadow Government Statistics
Analysis Behind and Beyond Government Economic Reporting

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PENDING DOWNTURN IN ECONOMIC EXPECTATIONS

**New Recession Should Be Timed from November/Fourth-Quarter 2018 Peak;
Fourth-Quarter 2018 GDP Faces Still Further Downside Revision;
First- and Second-Quarter 2019 Real GDP Quarterly Contractions Loom**

**Current, Positive Economic Expectations Should Drop Sharply,
Following Heavily Negative Economic Releases, April 16th to 25th,
Leading Into the Initial First-Quarter 2019 GDP Estimate on April 26th**

**Series Facing Near-Term Negative Catch-Up Reporting and/or Intensifying,
Negative First-Quarter Trends Include: Retail Sales, Production, New Orders,
Freight Activity, Home Sales, Construction and the Trade Deficit**

Note to Subscribers: I have been under the weather this week, still working on *Special Commentary No. 983-B*, which should publish in the next couple of days. Nonetheless, I wanted to get out this brief *Bullet Edition No. 6*, covering a likely downshift in consensus economic expectations that should begin with the releases of next week's headline economic data. Extended detail will follow in *No. 983-B*.

The *ShadowStats* general outlook has not changed, specifically including a deepening U.S. economic downturn, mounting downside pressures on the U.S. dollar and stock market, and upside pressures on gold and silver prices in the weeks and months ahead.

Your comments and suggestions always are invited.
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ShadowStats Commentaries, Bullet Editions, Watches and Daily Updates:

- The ***Daily Update*** posts regularly on the *ShadowStats* home page (www.ShadowStats.com), covering major economic releases as published by the issuing authorities, usually within two-to-three hours of headline publication. Unusual market circumstances, as well as the pending *ShadowStats* publishing schedule also are reviewed there.
- The ***Bullet Edition*** is published multiple times per month, as dictated by economic reporting, and underlying or unusual economic and financial-market developments. Simply put, the ***Bullet Edition*** conveys brief communications and analyses on limited topics of particular near-term significance.
    - Today's ***Bullet Edition*** reviews a likely major downshift in economic expectations in the next two weeks.
- The more-comprehensive ***Regular Commentary*** should publish about once per month, providing a regular and broader overview of unfolding conditions and likely developments, occasionally in the context of a *Special Commentary*.
    - Pending ***Commentary No. 983-B*** should post later this this week.
- ***Hyperinflation*** and ***Consumer Liquidity Watches*** will update once per month, with alternating updates roughly every other week.

Contents – Bullet Edition No. 6

New Recession Should Unfold in Headline Reporting of the Next Four to Five Months

FOMC Likely to Be Easing by September 2019

The "New" Recession Continues to Develop, Triggered by Excessive Federal Reserve Rate Hikes and Liquidity Tightening of the Last Year or So. ShadowStats contends that headline reporting of inflation-adjusted, real quarterly growth in U.S. Gross Domestic Product likely peaked in second-quarter 2018 and slowed into third- and fourth-quarter 2018, with the level of activity falling into outright quarter-to-quarter contraction in first-quarter 2019, with second-quarter 2019 likely continuing in decline. Eventually, the present circumstance should be recognized, measured and timed as a "new" recession, off an economic peak level of activity of Fourth-Quarter 2018 (likely timed to November 2018). In broad perspective, the current economic disruption effectively is the long-range, second down-leg of still-unresolved circumstances of the 2007/2008 financial collapse. Indeed, as will be detailed in pending *Special Commentary No. 983-B*, the roots of this current "new" recession are found directly in that effective systemic failure of 2007/2008, and the ensuing, extraordinary Federal Reserve and the U.S. Federal Government systemic bailout. The recent FOMC rate hikes aimed at constraining the consumer and at depressing the economy were part of the Fed's the efforts to reverse the Quantitative Easing used earlier to bailout the banking system.

Where the Federal Reserve's Federal Open Market Committee (FOMC) now has put its planned interest-rate hikes on hold for the balance of the year, and despite some recent, renewed hawkish comments by some policymakers, the ShadowStats betting is that the pending, rapidly weakening headline economic activity will have the FOMC easing anew by September 2019.

Reporting-Quality Deteriorated With Shutdown-Delayed and Distorted Numbers

Heavy Stream of Catch-Up and Improved-Quality Numbers Looms in the Next Two Weeks

As Economic Expectations Shift Sharply Lower, Market Disruptions Are Likely

Beware the Two Weeks Leading into the April 26th Initial Estimate of First-Quarter 2019 GDP! As of its April 8th estimate, the Atlanta Fed's *GDP Now* Model of likely annualized First-Quarter 2019 Real GDP stood at 2.3%, versus the headline "final" estimate of 2.6% real growth in Fourth-Quarter 2018 GDP. The Atlanta Fed modeled growth currently is stronger than consensus expectations of somewhat below 1.5%. The *GDP Now* model is built upon headline reporting of underlying economic series, such as Retail Sales, but the current reporting and history reflect government-shutdown delayed and distorted numbers that appeared to have been spiked artificially in their-next-to-final reporting before the headline

GDP (see *Bullet Edition No. 5*). Consider that most of the key series mentioned here, likely will turn sharply negative in their pending monthly reporting and revisions, both in catch-up, and consistent with strongly negative related details in the March 2019 payroll employment survey.

Pending reporting in the two weeks leading into the April 26th "advance" estimate of First-Quarter 2019 GDP includes: March 2019 Industrial Production (April 16th), Retail Sales (April 18th), Housing Starts (April 19th), Existing-Home Sales (April 22nd), New-Home Sales (April 23rd), New Orders for Durable Goods (April 25th), and the CASS Freight Index somewhere within that same time frame, plus the February 2019 Trade Deficit (April 17th). ShadowStats will assess each series in the ***Daily Update*** section of the ShadowStats home page within two-to-three hours of headline release.

The "advance" first-quarter GDP will be subject to two regular monthly revisions, with the second estimate on May 30th and the "final" third estimate on June 27th, both likely to the downside, but then comes the annual benchmarking on July 26th.

Beware July 26th, When a Formal Recession Likely Will Have Gained Popular Recognition! The annual benchmarking on July 26th, will revise recent GDP history, including Fourth-Quarter 2018, and First-Quarter 2019, both likely to the downside. Coincident with benchmarking will be the "advance" estimate of Second-Quarter 2019 GDP. With second-quarter GDP likely to show a second, consecutive real quarterly decline, that should set the stage for an eventual, formal "Recession" declaration. Nonetheless, FOMC and financial-market recognition of that circumstance should run well ahead of any formal declaration by the National Bureau of Economic Research (NBER).

Again, extended detail will follow in *Special Commentary No. 983-B.*

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